

Additional Loan Requirements for Duplexes, Triplexes and Fourplexes

Covenants, Conditions, and Restrictions (CC&Rs) will be recorded against duplexes, triplexes and fourplexes that receive rehabilitation loans or grants. The CC&Rs will reiterate the requirements of the Promissory Note and the following elements:

Income Restricted (Affordable) Rental Units

The homeowner must restrict residency in the rental units to Low-Income households for the term of the City loan. The owner shall maintain records of income verification for all tenants. For the purposes of determining household income, all adult household members must be considered. Income must be verified at least annually by the owner.

The tenant leases must specify that if a tenant's household gross income increases above the Low Income standard, that tenant must vacate the unit within 90 days. Should a tenant face extraordinary hardship satisfying this requirement, a written appeal may be submitted to the City. Upon receipt of a written appeal, and at the sole discretion of the Director of Economic Development, this period may be extended for a period not to exceed 90 additional days.

Maximum Rents

The maximum allowable rents will be determined by applying the most restrictive rent limits established on an annual basis by: 1) California Health and Safety Code Section 50053, or 2) the HUD HOME Program Guidelines. If the tenant is required to pay for utilities, excluding telephone, the utilities cost must be deducted from the defined affordable housing cost. The currently applicable affordable housing costs and utilities allowances are available in the Economic Development Department office in City Hall.

Maximum Occupancy

The maximum number of persons in a household that may occupy the units will be based on the Section 8 limits established by the Orange County Housing Authority. The allowable number is determined, in part, by the sex, age, and

relationship of the tenants and the total amount of living space. The generally accepted standards are as follows:

Occupancy Standards

Unit Size	Maximum Occupancy
Studio	2 Persons
1 Bedroom	3 Persons
2 Bedrooms	5 Persons
3 Bedrooms	7 Persons
4 Bedrooms	9 Persons

Relocation

State and Federal regulations require that persons displaced either temporarily or permanently, as a direct result of rehabilitation work must be offered relocation assistance. Relocation costs may be included in the cost of the project.

Subordination to City CC&Rs

The City will subordinate the rehabilitation loan to existing liens that meet the loan to value ratio requirements defined in this Program. The City may consider subordination of rehabilitation loans to future refinancing if the Borrower will be refinancing their first mortgage at a reduced rate that results in a lower monthly mortgage payment. Fees associated with the refinance may be included in the new first mortgage. A \$250 service charge will be due to the City for processing the request. The City will not approve a subordination that involves the following:

- Withdraw of equity for any reason.
- Subordination to a loan involving negative amortization.
- Subordination to a variable rate mortgage loan.
- Change of ownership, including adding new owners or co-signer(s) on the loan or title.
- The combined total of the new first mortgage loan and City's existing second mortgage loan exceeds 80% of the appraised value of the subject borrower's property.

If the borrower takes out another loan against the property in lieu of subordinating the City's loan or uses refinance proceeds to repay revolving or other debt the loan will become immediately due and payable to the City.